

## Message Text

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PAGE 01 BERN 04883 01 OF 02 191210Z  
ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 EA-12 AF-10 SP-02 USIA-15  
AID-05 EB-08 NSC-05 TRSE-00 SS-15 STR-05 OMB-01  
CEA-01 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00  
XMB-04 OPIC-06 LAB-04 SIL-01 L-03 H-02 PA-02  
PRS-01 /137 W  
-----109772 191219Z /42

R 190847Z OCT 77  
FM AMEMBASSY BERN  
TO SECSTATE WASHDC 5086  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
USMISSION GENEVA  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMCONSUL ZURICH POUCH

UNCLAS SECTION 1 OF 2 BERN 4883

EO 11652: NA  
TAGS: EFIN SZ  
SUBJ: SWISS FINANCIAL REVIEW: WEEK OF OCT 9-15

USMTN ALSO FOR MISSION, USOECD ALSO FOR EMBASSY

PASS TREASURY AND FRB

1. SUMMARY: DOLLAR RATE AGAINST SWISS FRANC  
PLUMMETED IN HECTIC MARKET TO LOW SF 2.2735.  
GOLD PRICE HIT TWO-YEAR HIGH 158. SWISS GOVT  
BELIEVES FRANC APPRECIATION INEVITABLE. INTEREST  
RATES DECLINED FURTHER. SWISS NATIONAL BANK (SNB)  
SEES INVESTMENT CRISIS ON CAPITAL MARKET. SWISS  
REFUSED COMPLY WITH ITALIAN GOVT REQUEST FOR  
INFO ON ESTIMATED 3,000 ITALIANS WHO TRANSFERRED  
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PAGE 02 BERN 04883 01 OF 02 191210Z

CAPITAL TO SWITZERLAND IN WEISSCREDIT, CHIASSO  
AFFAIRS. LIECHTENSTEIN CORPORATE LAW REFORMS  
MAKE TAKE AT LEAST 5 YEARS. END SUMMARY.

2. FOREIGN EXCHANGE AND GOLD: DOLLAR RATE FELL  
RAPIDLY FROM WEEK'S HIGH SF 2.31 WEDNESDAY TO NEW  
LOW SF 2.2735 FRIDAY. DEALERS SAID DOWNWARD

PRESSURE ON DOLLAR BEGAN WITH YEN APPRECIATION  
REFLECTING GROWING JAPANESE TRADE SURPLUS. DOLLAR  
FELL ABRUPTLY AFTER REPORT BUSINESS ECONOMISTS  
EXPECT SLACKENING US ECONOMIC ACTIVITY, POSSIBLE  
NEW RECESSION BY END 1978, AND US TREASURY'S  
STATEMENT YEN APPRECIATION INSUFFICIENT CORRECT  
US-JAPAN TRADE IMBALANCE. DOLLAR RATE DECLINE  
UNAFFECTED BY MASSIVE SNB DOLLAR PURCHASES, SNB  
STATEMENTS DOLLAR UNDERVALUED. DEALERS NOTED  
SIGNIFICANCE SNB ANNOUNCEMENT ALTHOUGH IT PLANNED  
ADDITIONAL MEASURES STEM DOLLAR/FRANC RATE MOVEMENT,  
NONE WOULD BE TAKEN IMMEDIATELY (BERN 4848).  
GOLD PRICE HIT TWO-YEAR HIGH OF 158 WEDNESDAY.  
DEALERS SAID ECONOMIC UNCERTAINTIES PROVOKED INCREASED  
PRIVATE DEMAND, PARTICULARLY IN US. DEALERS  
EXPECT PRICE TO STABILIZE AT 160 BY DEC,  
THOUGH TECHNICAL REACTION IS LIKELY FROM INCREASED  
SOVIET AND SOUTH AFRICAN GOLD OFFER AT THAT LEVEL.  
RATES FOLLOW:  
ITEM- OCT 10 (OPEN) - OCT 14 (CLOSE)  
SPOT DOLLAR - 2.350 - 2.285  
FORWARD DISCOUNTS (PCT PER ANNUM)  
ONE MONTH - 5.52 - 6.16  
TWO MONTHS - 4.84 - 5.69  
THREE MONTHS - 4.56 - 5.25  
SIX MONTHS - 4.58 - 5.11  
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PAGE 03 BERN 04883 01 OF 02 191210Z

TWELVE MONTHS - 4.29 - 4.81  
SF/DM - 100.61 - 100.13  
GOLD - 155.5 - 157.5

3. GOVT VIEWS: FEDERAL COUNCILOR CHEVALLAZ TOLD  
PRESS TUESDAY THAT FRANC APPRECIATION INEVITABLE  
GIVEN LOW INFLATION RATE, LARGE BALANCE OF PAYMENTS  
SURPLUS. HOWEVER, GOVT OPPOSED TO EXAGGERATED  
FRANC RATE MOVEMENTS AND BELIEVES DOLLAR RATE FALL  
UNREALISTIC IN VIEW US ECONOMIC OUTLOOK AND HIGH US  
SHORT-TERM INTEREST RATES. SAID SWISS PLAN MEASURES  
PREVENT "INTOLERABLE" FRANC APPRECIATION. DID NOT  
SAY WHAT SPECIAL MEASURES WOULD BE TAKEN. ALSO

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PAGE 01 BERN 04883 02 OF 02 191006Z  
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CEA-01 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00  
XMB-04 OPIC-06 LAB-04 SIL-01 L-03 H-02 PA-02  
PRS-01 /137 W  
-----106971 191218Z /42

R 190847Z OCT 77  
FM AMEMBASSY BERN  
TO SECSTATE WASHDC 5087  
INFO AMEMBASSY BONN  
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USMISSION GENEVA  
AMEMBASSY LONDON  
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AMEMBASSY ROME  
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UNCLAS SECTION 2 OF 2 BERN 4883

USMTN ALSO FOR MISSION, USOECD ALSO FOR EMBASSY

PASS TREASURY AND FRB

SAID SWISS EXPECT TECHNICAL REACTION TO DOLLAR  
DECLINE. SWISS DO NOT INTEND TAKE MEASURES  
STIMULATE ECONOMIC RECOVERY THAT "INTL ORGANIZATIONS"  
RECOMMENDED FOR SURPLUS BALANCE-OF-PAYMENTS  
COUNTRIES. SUCH ACTION BY FULL-EMPLOYMENT  
COUNTRY LIKE SWITZERLAND WOULD BE "PURE WASTE".  
WEST GERMANY, WITH MILLION UNEMPLOYED, COULD STIMULATE  
WITHOUT GENERATING INFLATIONARY LABOR MARKET PRESSURE.

4. CAPITAL AND MONEY MARKETS: STOCK PRICES ROSE  
FURTHER. SKA SHARE INDEX HIT NEW 3-YEAR HIGH  
246.8 THURSDAY, CLOSED 246.7 FRIDAY. AVERAGE  
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PAGE 02 BERN 04883 02 OF 02 191006Z

YIELD CONFEDERATION BONDS FELL TO 3.89. FOUR  
LARGEST SWISS BANKS LOWERED THEIR FIXED TERM  
DEPOSIT INTEREST RATES OCT 13: FROM 2.75 TO 2.5  
PCT FOR 3-6 MONTH DEPOSITS; FROM 3.0 TO 2.75  
PCT FOR 12 MONTHS; 3-5 MONTH DEPOSITS UNCHANGED  
AT 2.25 PCT. ZURICH STOCK EXCHANGE CELEBRATED  
100 YEARS ACTIVITY. SOME 106 FIRMS WITH 156 SHARES  
VALUED AT SF 50 MILLION END 1976 ARE REGISTERED ON

ZURICH BOURSE.

5. SNB VIEWS: SNB VICE PRES SCHUERMANN TOLD PRESS CAPITAL MARKET CHARACTERIZED BY INVESTMENT CRISIS FROM ABUNDANT LIQUIDITY WHILE VOLUME AND VALUE LOAN ISSUES RELATIVELY LOW. CONFEDERATION DOES NOT INTEND BORROW TO SOAK UP LIQUIDITY. SNB WILLING TO SUPPORT STABLE INTEREST RATES BY SELLING BONDS FROM OWN PORTFOLIO. THERE HAS BEEN RECORD LEVEL OF LOAN REPAYMENTS IN 1977. SNB IS CONCERNED ABOUT POSSIBLE MASSIVE LOAN REPAYMENTS BEGINNING IN 1980'S. DURING FIRST 9 MONTHS 1977, CAPITAL MARKET LOAN ISSUES AMOUNTED TO SF 3 BILLION AGAINST LOAN REPAYMENTS OF SF 2 BILLION; SNB BOUGHT EQUIVALENT SF 9 BILLION IN FOREX AGAINST SF 7.4 BILLION IN SALES FOR CAPITAL EXPORT CONVERSIONS; AND TOTAL CAPITAL EXPORTS WERE SF 11 BILLION. THESE FIGURES ARE SIGNIFICANTLY BELOW AMOUNTS IN SAME PERIOD 1976.

6. BANK SECRECY: PRESS PUBLISHED REPORT FROM ROME THAT SWISS AUTHORITIES TURNED DOWN ITALIAN GOVT REQUEST TO LIFT BANK SECRECY ON ESTIMATED 3,000 ITALIANS BELIEVED TO HAVE ILLEGALLY EXPORTED CAPITAL TO SWITZERLAND IN WEISSCREDIT AND CHIASSO  
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PAGE 03 BERN 04883 02 OF 02 191006Z

AFFAIRS. PRESS RECENTLY REPORTED ETHIOPIAN AUTHORITIES HAD ANNOUNCED ABANDONMENT OF EFFORTS TO RECOVER DEPOSITS BY HAILE SELLASIE IN SWISS NUMBERED BANK ACCT.

7. LIECHTENSTEIN REFORMS: LIECHTENSTEIN GOVT LEGAL ADVISER A P GOOP TOLD SWISS PRESS THAT CERTAIN REFORMS UNDER CONSIDERATION, SUCH AS TRANSFORMING "ANSTALT" FORM OF COMPANY INTO JOINT STOCK COMPANY AS IN OTHER COUNTRIES, MUST BE TAKEN PROGRESSIVELY TO AVOID UNNECESSARY HARM TO OWNERS OF THESE COMPANIES. THEREFORE, GOOP ESTIMATED REFORMS IN LIECHTENSTEIN CORPORATE LAWS AND STRUCTURES MIGHT TAKE AT LEAST 5 YEARS.  
WARNER

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## Message Attributes

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Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009